



CT Brewers Guild
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Co-Chairs Sen. Fonfara and Rep. D'Agostino, and Ranking Members Sen. Witkos and Rep. Cheeseman, and members of the General Law Committee,

Thank you for the opportunity to submit written testimony in support of, provide insight and suggestions for S.B. 647, H.B. 7184, and H.B. 7183, specifically the increase of direct to consumer limits for off-premise consumption, the current exemption for CT craft breweries from paying an excise tax for on-premise consumption sales, and modernizing our alcohol laws. My name is Phil Pappas, the Executive Director of the CT Brewers Guild and a resident of Milford. I'm here today on behalf of the CT Brewers Guild, the leading organization in protecting and promoting our independently owned CT craft breweries.

Our two core values are what bring me in front of you today and we are eagerly looking forward to working with the state of Connecticut leaders, the General Law Committee, Legislators, Senators, Representatives, Wholesalers, Distributors, Retailers, Restaurants, Bars, Hop Growers, Farmers, and, of course, our Breweries, in making necessary, positive, and impactful changes to our industry. We are truly grateful for the support we receive from our craft beer community and craft beer enthusiasts from Connecticut and surrounding states. We wholeheartedly believe that we produce superior craft beer that has proven to compete with the best breweries in the nation and will continue to do so. We strive every day to produce the highest quality, best-tasting craft beer in the market and consistently seek ways to improve our product, utilize locally sourced ingredients, generate jobs, support local businesses, and cultivate fun and exceptional experiences for our customers in and outside of our taprooms.

The first value that I'd like to speak on is the protection of our CT breweries. The Connecticut craft beer industry is unlike any other, it's a brotherhood and sisterhood where we share one commonality - beer. We are all competitors, yet the comradery between all of us is unparalleled. We support one another every day by sharing industry knowledge, equipment, ideas, recipes, and ingredients when one might be in need, collaborating to brew beers, and banning together at Brewers Guild meetings on a quarterly basis. We currently operate over 85 taprooms, employ nearly 5,000 people statewide, produce over 166,000 barrels of beer, and those numbers are continuing to grow every week. In comparison

nationwide, CT breweries rank 29th in total number of breweries, 26th in breweries per capita (per 100,000 21+ adults), 29th in beer production, 28th in economic impact, and 27th in excise tax rate, simply middle of the road. One discouraging area where we rank at the very bottom is the limit on direct to consumer sales. Currently we rank 48th, only ahead of Alabama, Rhode Island, and South Carolina, by a small margin of 0.12 gallons, which is less than one 16oz can. Our CT breweries lose sales, and the state of CT loses taxes, every single day due to this low limit because we are forced to tell our customers they legally can't buy more, and collectively lose revenue to out-of-state breweries every week. Our neighboring New England states including NY, NJ, MA, VT, ME, and NH do not have any limits, or much higher limits, on direct to consumer sales, so it's time we make changes in order to attempt to compete with these states. The added benefits of increasing direct-to-consumer sales limits will only continue to add to the massive economic impact that our industry has on our state, allow our breweries to reinvest in our businesses, create more jobs, increase our total production, and simply sell more of our product.

The second value that I'd like to speak further on is the promotion of our CT breweries. We have brewed superior craft beer for many years, and as we have seen the tremendous growth in number of breweries, our competitive nature to brew exceptional beer has only increased. The experimental and creative nature of craft beer is what made this industry explode, makes it exciting, and keeps our customers coming back. Attempting new recipes, adding new ingredients, utilizing locally sourced ingredients like hops, malt, and barley is what our brewers attempt to do on a weekly basis. The CT Brewers Guild has been developing amazing partnerships with the CT Hop Growers Association and farmers across the state to revitalize farms and unused tobacco fields to grow these ingredients. The CT Brewers Guild implemented our inaugural CT Beer Trail Passport program that ran from September 2018 through January 31st, 2019, marketed towards craft beer enthusiasts from within the state and surrounding states, by encouraging them to "hop on the trail" and collect stamps by visiting their local breweries. This five-month program generated an additional \$330,000 in gross revenue for our CT breweries, 9% (\$30,000), of which was generated from out-of-state visitors. We started our 2019 CT Beer Trail Passport on February 1st, 2019 which will run until January 31st, 2020 and expect this program to generate over \$870,000 in additional gross revenue.

The current exemption for CT craft breweries from paying excise tax for on-premise consumption sales is an integral part of our growth. In December 2017, the US Congress passed legislation that included a two-year provision of the Craft Beverage Modernization and Tax Reform Act, which lowered the federal excise tax for breweries by half. Through a survey that the BA conducted to find out how the breweries used their FET savings, they found that -

- 73% of breweries increased their economic development by purchasing new equipment, upgraded their tasting room and breweries, and/or moved to upgraded buildings
- 54% of breweries hired new employees at an average rate of 2.7 people per brewery
- 40% of breweries increased their employees benefits by raising pay, offering or expanding their insurance and retirement benefits
- 86% of breweries responded that they would be more likely to make capital investments and hire new people if the current Federal Excise Tax rate was made permanent

As our brewing industry strives to remain competitive in this ever-growing market, it's necessary to modernize our states alcohol laws. Our breweries are eager and excited to work with our wholesalers, distributors, restaurants and bars, and package stores within our three-tiered system and we greatly appreciate our partnerships with them. The CT Brewers Guild was able to meet at the inaugural Beer Summit on February 19th at HDI in Hartford where we discussed coming together as a collective industry. In a joint statement by the CT Beer Wholesalers Association, CT Brewers Guild, and Restaurant Association, "We'll meet as often as necessary, with one governing philosophy — to not let disagreements in some areas prevent us from finding commonality in others. Through regular discussions, we hope to find solutions that allow the whole system to grow and thrive."

One of the items in S.B. 647 that I support is the restructuring of the on-premise liquor permits, specifically the manufacturing for beer and brew pub license. The CT Brewers Guild supports changing all our breweries permits to fall under the manufacturing for beer and brew pub license. We strongly believe and advocate that the language in the permit remain the same as it is written today, specifically allowing the manufacture, storage and bottling of beer, the sale of beer for on premise consumption, and the retail sale of alcoholic liquor to be consumed on the premises with or without the sale of food. We agree that the annual fee for a manufacturer permit for beer and brew pub shall be one thousand six hundred dollars. The CT Brewers Guild supports the ideas in H.B. 7184, and through our discussions over the past few weeks, to allow all manufacturers in the state – breweries, wineries, cideries, and distilleries, to sell each other's products. This will allow all manufacturers to showcase and support one another, provide our customers with options, and assist with business growth within our state. We strongly believe and advocate that the breweries under the manufacturer for beer and brew pub permit be allowed to continue selling out-of-state products.

I would like to thank you all for your efforts in supporting our craft beer industry and hope that you proceed with increasing the limits for direct to consumer sales for off-premise consumption at Connecticut breweries.

Sincerely,

Phil Pappas

Phil Pappas
Executive Director
CT Brewers Guild